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THE FEDERAL DIARY

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he budget President
Reagan will send to
Congress next week
contains few surprises—and
little good news—for the
half-million government
workers, postal employes and
civilian and military retirees in
the Washington area.

None of the items on the budget, for the fiscal year that begins in October, can take effect unless approved by Congress. This is what is on the president's shopping list:

- A 5 percent across-the-board pay cut for all nonpostal federal workers. Postal employes' salaries are guaranteed by contract.
- A rise to 65 in the age for retirement on full benefits. Currently, federal workers can retire at age 55, with 30 years's service, on an annuity equal to about 53 percent of their final annual salary.
- A change in the formula used to compute annuities. Currently, pensions are based on length of service and the highest three-year average salary. The new plan would base annuities on the highest five-year salary.
- The proposed higher retirement age would not apply to employes who are 55 or older (regardless of length of service) at the time of the change. The proposed reduction in the penalty for early retirement—5 percent a year for each year below 65 that an employe is at the time of retirement—would be phased in for workers who are between 45 and 54. The full impact would be felt by anyone under age 45.
- A cut in personnel levels in a number of nondefense agencies. They include the departments of Agriculture, Energy and Labor, the Social Security Administration and a number of independent agencies. Although administration officials think most of the trimming can be done by attrition over several years, congressional sources

expect another round of layoffs in some agencies. In any case, the reductions would make promotions harder to come by.

■ Either a freeze in cost-of-living adjustments for retirees or a system that grants only partial COLAs in the future.

Congress will take a dim view of the proposed pay cuts, because of the economic impact on communities where the federal payroll is a major factor. It also will oppose some personnel and program cuts that will be proposed. But it is likely to go along with some change in the COLA system, which is one of the costliest features of the retirement program.

